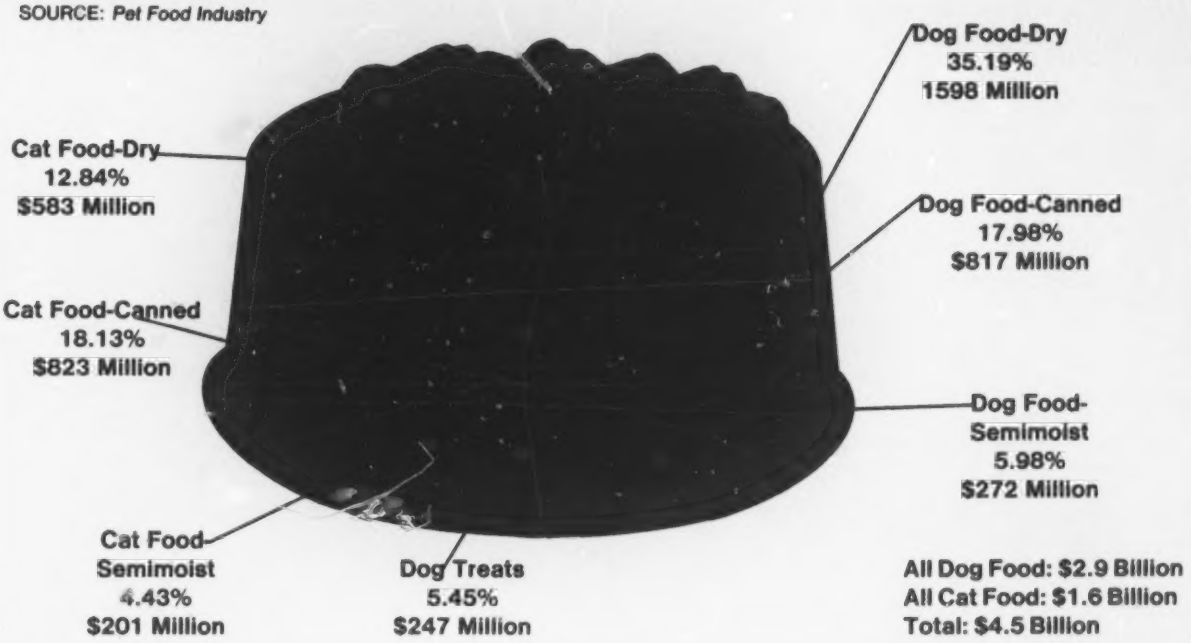
CY 1982 National Retail Sales of Pet Food

SOURCE: *Pet Food Industry*



(Continued from page 34)

Quaker.

Pounce is now making its way onto commissary shelves in four flavors: beef, liver, chicken and kidney.

Quaker is also the major manufacturer of generic dog food, according to Henderson. Generic pet foods are sold in Navy commissaries, and John Russas, spokesman for NAVRESSO, says generic pet food is a top-selling generic item.

AFCOMS stores do not carry generic pet food as such, except for a few stores that have specific local demand for it and a local supplier. Air Force stores do have an alternative to name-brand pet food, however — a Quaker private label dog food called Main Dish. Henderson says it is produced in 10 or 11 forms, including a 20-pound bag of dry.

VPRs, discount coupons and promotions with raffle premiums have been popular in the past and will continue, says Henderson. One hundred cases of pet food is a typical store's qualifying purchase for the raffle promotions. This is usually a product mix of Ken-L Ration dog food, Ken-L Ration Special Cuts, Semi-Moist, and Puss 'n Boots.

Star Kist Foods Inc. has several items in test market, says Ed Ryan, V.P. at Star Kist. Three have just been introduced — 9-Lives Ranch Supper, 9-Lives Country Chicken 'n' Gravy and 9-Lives Fisherman's Stew. A product the company is just rolling out nationally is Amore, a gourmet cat food in a 3¼-ounce can. "We've been working on it for years, and now it's available nationwide," he says.

Jerky Treat Snacks, a snack for puppies and dogs has gone national in a one-ounce packet. Soon to be on the market will be a three-ounce packet. "It tastes much like jerky beef — dogs go bananas over it," says Ryan.

Flea Collars Make or Break

Most civilian pet stores have an advantage over exchanges. They will maintain a "wet department" of pet livestock. According to Steve Mitchem, MSM at the Sergeant's division of A.H. Robins, included in the definition of "wet" are fish, birds, exotic animals and small mammals — hamsters, gerbels, guinea pigs and others. A store that has sufficient space usually has a supply of dogs and cats, too.

Mitchem says even well-managed wet departments don't make money. They are labor intensive, requiring considerable maintenance. "You make nothing on fish," he says. "You pay for the dead fish flown in from Florida. You buy a thousand, and 70 arrive dead. You pay for them anyway."

Even without a wet department, Mitchem says pet accessories can be a very active profit center in the exchange if they are stocked, displayed and merchandised properly. He says educating customers about prices and stock selection is central to the success of the department.

As any good merchant will do, the pet shop manager encourages his customers to return to his shop for accessories. Military patrons need to be aware that the exchange has a well-stocked pet department — that they need not go to civilian pet shops for accessories and pay the higher off-base prices.

Top priority in stock selection means having a variety of competitively priced flea and tick collars always on hand for both dogs and cats. Mitchem says collars are the fastest-growing segment of the pet accessories market. They normally comprise 30 percent to 35 percent of the department's sales. Important to the manager is the fact that they're profitable — collars don't take up even close to a third of the available shelf space. The sale of collars can make or break a pet department, he says.

For Their Health

Second priority in stock selection should be given to pet health and grooming aids products, Mitchem says. Also important in the assortment are pet toys, especially rawhide bones. "We keep coming out with toys and gimmicks, and people just love them," says Mitchem. Because

(Continued on page 40)

PET FOOD AND SUPPLIES

(Continued from page 39)

of these priorities, it makes good business sense to invest about a third of the departmental money in collars and then be sensitive to the other pet needs of the local patrons, he says.

A problem in many military stores, says Mitchem, is that the stock assortment in pet supplies does not reflect the sales of that assortment. A large stock of bird and small mammal supplies may look attractive and fill up the shelves, he says, but sales for this merchandise are usually only three percent to four percent of the business. "You don't want inventory tied up. You can't get too specialized in a self-service store," he says.

Another problem, he says, is insensitivity to the pricing strategies of off-base stores. "Too many times, the civilian stores will price flea collars at less than list." Mitchem says. "The discount stores like to low-ball them, while the exchanges lose sales on collars and on other merchandise in the store." He says that customers will make multiple purchases of collars and will pick up additional pet items if the price and selection are right.

With either the wrong accessories assortment or the wrong pricing on collars, the result can be an annual turn of only one or two times on some items in the small-mammal and bird sections, and perhaps only four or five turns on collars. The turn on collars should be around eight or nine times a year, he says. "And it will be — if the department is stocked properly."

Pet supplies are usually sold only in exchanges, with pet food sales coming from commissaries. But Mitchem tells MILITARY MARKET that AFCOMS conducted an eight-week test of selling pet supplies in two commissaries this past summer, at McGuire AFB, N.J., and Hanscom AFB, Mass. The space alloted was only eight linear feet, which he says was enough to merchandise collars, but not much else. He says between 12 and 24 feet of space is about right for a pet supplies department.

With cost-plus pricing in the commissaries pitted against the profit-minded pricing in the exchanges, the test was a success. But a lot of the collars were bought by commissary patrons at the expense of sales in the exchange. A source close to the test says it was "illegal," and Mitchem confirms that it is unlikely that the commissaries are going to get into the pet supply business any time soon.

Litter Fills a Need

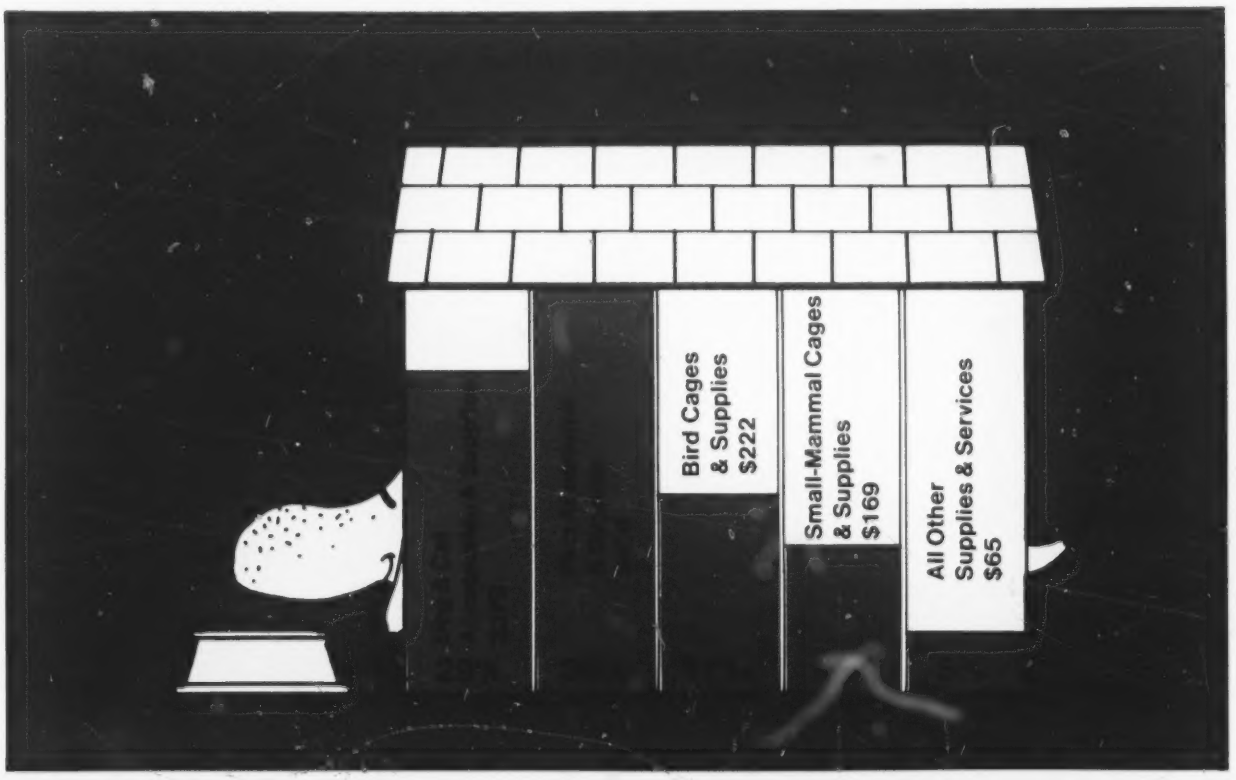
Pet box filler, mainly litter material for cats, has become a staple since it was introduced in 1947 by the Lowe Corp.

Forty years ago, cat owners simply put sand in a box for the family cat to use indoors. The sand served the purpose, but it needed to be changed frequently. In 1947 a family friend of Ed Lowe, a manufacturer of industrial absorbents in Cassopolis, Mich., asked him for something to put into her cat's litter box. He simply put some dried, granulated clay in a bag and gave it to her. Later, when she asked him to bring more, Lowe figured he might be onto something big, and he decided to go commercial with his bagged clay. Soon he was packaging the material in paper bags labeled "Kitty Litter" in his own hand and was peddling it to pet shops in several nearby towns. Thus an industry was born.

Clorox Co. markets a cat box fiber product called Litter Green. Bill Stanley, MSM at Clorox, says it is the only national brand of litter made from alfalfa. He says Litter Green has the advantage of being more absorbent than clay and more effective in containing odor because of the natural texture and chlorophyll content of the alfalfa plant. "It costs more, but some cats won't use anything else," he says.

Clorox has a new litter product in test market named Fresh Step. This is a clay-based litter that the company claims is more absorbent than other clays. It also contains microencapsulated fragrance pellets that are activated when the cat steps on it.

MM



Military Market Index

Commissaries

		AUGUST			YEAR-TO-DATE		
		CY'83	CY'82	%CHANGE	CY'83	CY'82	%CHANGE
Air Force	CONUS	$148,078	$134,585	+10.03	$1,167,578	$1,096,975	+6.44
	OVERSEAS	28,577	26,801	+6.63	232,603	219,494	+5.97
	TOTAL	**176,655**	**161,386**	**+9.46**	**1,400,181**	**1,316,469**	**+6.36**
Army	CONUS	99,120	96,928	+2.26	826,862	795,392	+3.96
	OVERSEAS	32,340	28,808	+12.26	265,399	238,992	+11.05
	TOTAL	**131,460**	**125,736**	**+4.55**	**1,092,261**	**1,034,384**	**+5.60**
Navy	CONUS	49,478	49,450	+0.06	429,949	407,559	+5.49
	OVERSEAS	5,937	5,761	+3.06	49,544	47,818	+3.61
	TOTAL	**55,415**	**55,211**	**+0.37**	**479,493**	**455,377**	**+5.30**
Marines	CONUS	10,490	9,227	+13.69	90,077	85,840	+4.94
	OVERSEAS	155	120	+29.17	1,496	1,361	+9.92
	TOTAL	**10,645**	**9,347**	**+13.89**	**91,573**	**87,201**	**+5.01**
Coast Guard	CONUS	314	301	+4.32	2,257	2,308	-2.21
	OVERSEAS	247	190	+30.00	1,416	1,433	-1.19
	TOTAL	**561**	**491**	**+14.26**	**3,673**	**3,741**	**-1.82**
All Commissaries	CONUS	307,480	290,491	+5.85	2,516,723	2,388,074	+5.39
	OVERSEAS	67,256	61,680	+9.04	550,458	509,098	+8.12
	TOTAL	**$374,736**	**$352,171**	**+6.41**	**$3,067,181**	**$2,897,172**	**+5.87**
Grocery Stores	U.S.[1]	**$21.095 bil.**	**$19.471 bil.**	**+8.34**	**$162.506 bil.**	**$155.118 bil.**	**+4.06**

Exchanges

AAFES	CONUS	$238,250	$231,161	+3.07	$1,799,440	$1,730,066	+4.01
	OVERSEAS	150,420	148,540	+1.27	1,214,120	1,168,595	+3.90
	TOTAL	**388,670**	**379,701**	**+2.36**	**3,013,560**	**2,898,661**	**+3.96**
Navy	CONUS[2]	93,835	91,595	+2.45	669,686	661,315	+1.27
	OVERSEAS[2]	38,050	34,698	+9.66	285,233	269,602	+5.80
	TOTAL[2]	**131,885**	**126,293**	**+4.43**	**954,919**	**930,917**	**+2.58**
Marines	CONUS	29,193	29,123	+0.24	219,547	219,455	+0.04
	OVERSEAS	4,364	4,738	-7.89	37,682	36,903	+2.11
	TOTAL	**33,557**	**33,861**	**-0.90**	**257,229**	**256,358**	**+0.34**
Coast Guard	CONUS[3]	6,428	6,157	+4.40	47,725	47,157	+1.20
	OVERSEAS[3]	876	686	+27.70	6,508	5,257	+23.80
	TOTAL[3]	**7,304**	**6,843**	**+6.74**	**54,233**	**52,414**	**+3.47**
Mail Order	CONUS[4]	949	1,033	-8.13	9,113	8,214	+10.94
	OVERSEAS[4]	3,207	3,929	-18.38	29,857	31,015	-3.73
	TOTAL[4]	**4,156**	**4,962**	**-16.24**	**38,970**	**39,229**	**-0.66**
All Exchanges	CONUS	368,655	359,069	+2.67	2,745,511	2,666,207	+2.97
	OVERSEAS	196,917	192,591	+2.25	1,573,400	1,511,372	+4.10
	TOTAL	**$565,572**	**$551,660**	**+2.52**	**$4,318,911**	**$4,177,579**	**+3.38**
Department Stores	U.S.[1]	**$9.370 bil.**	**$8.553 bil.**	**+9.55**	**$66.129 bil.**	**$61.921 bil.**	**+6.80**

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ships stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges, and exchange sales include concession volume.

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Military Market

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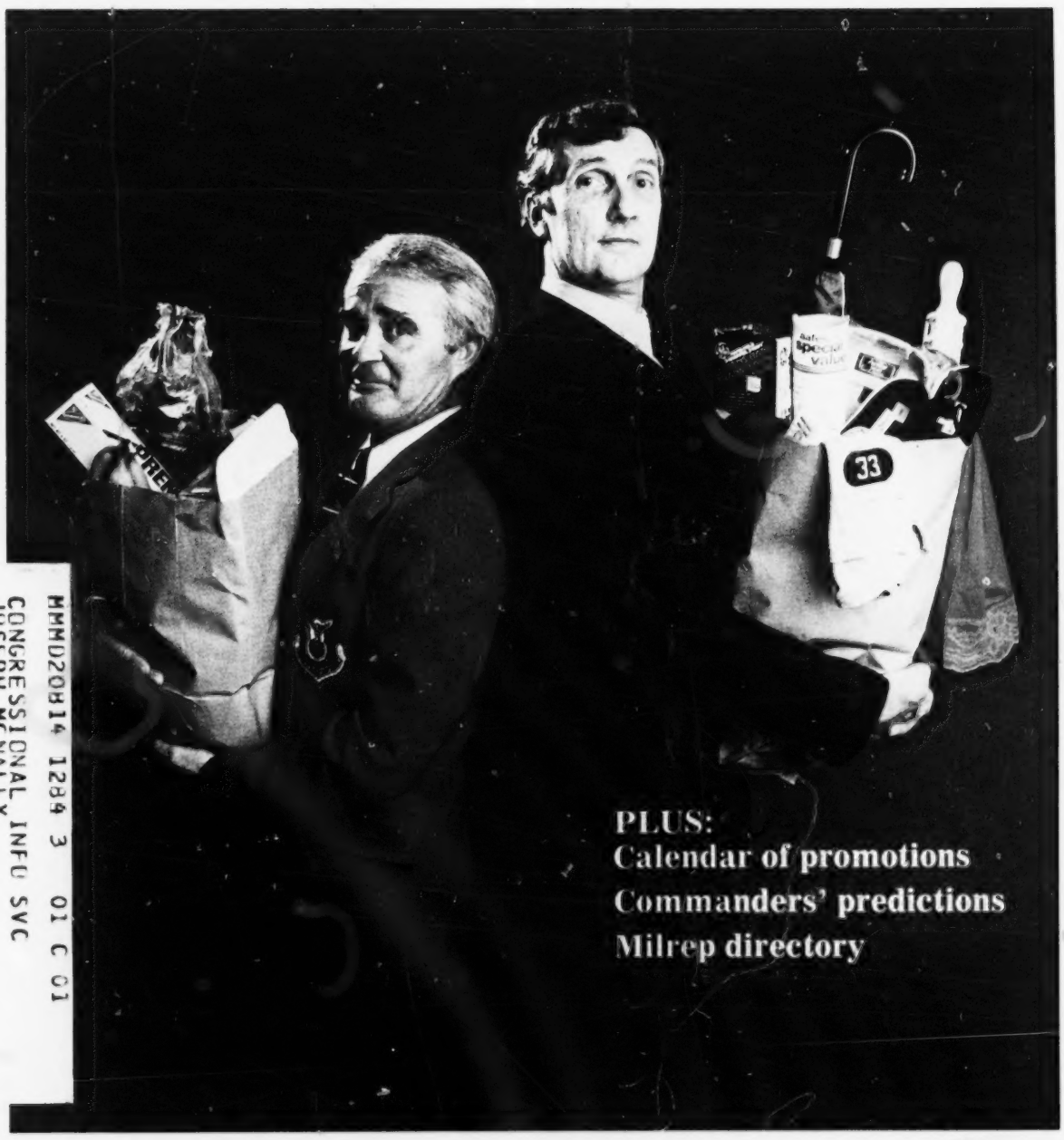

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1984 Buyers Guide

Military Market serving the military retail system

JANUARY 1984/VOLUME 35/NO. 1
Army Times Publishing Company
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THANKS TO ANDREWS AFB COMMISSARY AND CAMERON STATION EXCHANGE

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Military Market survey

Generics in the Commissary
Most Managers Say Customers Want More of Them

GENERIC PRODUCTS, once considered to be unappealing, of questionable quality and widely criticized by brand-name manufacturers, have nevertheless become an established part of most commissary inventories.

This month's survey tabulates responses from eight Navy commissaries, five AFCOMS, five TSA and one each from the Marine Corps and Coast Guard. Most of the commissary officers and managers contacted (19 of 20) say that black-and-white label generic products are well-received in their stores. So well-received, in fact, that many report frequent requests from patrons to put a larger selection of generic products on the shelves.

But not all managers like generics. One store discontinued generic products altogether because of a lack of customer acceptance. The manager of the store says there was insufficient customer interest in them, but admits that he personally doesn't feel generics are of good quality.

Leaders in generic sales, the officials say, are cigarettes, paper products, cleaning products and pet foods; however, what sells well at one location may do poorly at another: One manager cited pet foods as a slow mover, while another cited paper goods, both of which did well at other stores. The number of generics carried in any one store varied from one type of item — just cigarettes — to more than 120 line items.

Frequently mentioned categories for adding to commissaries that don't stock them include coffee, butter, macaroni and cheese, condiments, dishwashing liquid (other than pink) and orange juice. One manager says his patrons are largely retirees, and they would like to have "as full a line as they can get."

Another manager comments that the retirees in his area tend to buy branded merchandise early in the month when they receive their checks. "Later in the month, they buy more generics," he says.

The appeal of generic groceries is not limited to low-income families. Many of the responses indicate that just the opposite is true: One manager says, "People who could benefit the most purchase them the least."

When asked how generics should be merchandised, managers' opinions lean heavily toward integrating them with branded merchandise (13 out of 20 responses). But those among the other seven strongly say that grouping generic products in a single section is a successful merchandising technique.

Representing the majority opinion, one manager says, "Generics sell better when they're right in with the name brands. Let them see the price difference." But another says, "The generics should be in one group so they [patrons] can see them all at once."

Another manager considers the separate-section-vs.-integrated-products debate irrelevant: "Major advertising on TV and in the papers really helps. There's no advertising for generic products, and they don't move as well."

Most managers surveyed say the addition of generics to the line improves the image the store has for quality merchandise. But one manager, who holds a minority view, says, "The black-and-white label tends to turn people off."

Opinion in this month's survey was evenly divided as to whether sales of branded merchandise are cannibalized by sales of generics. Half of the managers answering the survey believe name-brand manufacturers offer better deals to the commissaries because of the increased competition from generic labels, while the others don't see any better deals as a result of the addition of generics.

In defense of generics, one manager says, "In some ways, yes, [there is cannibalization], but not to any great extent, or the extent they [the manufacturers of branded products] would have you believe."

The majority of the managers believe their shelves should be stocked with even more generic line items. "Generics give people a choice," says one manager. "It's the free-enterprise system at work."

MM

1 — WHICH OF THE FOLLOWING TYPES OF GENERIC PRODUCTS HAS THE GREATEST CONSUMER ACCEPTANCE IN YOUR STORE? Black-and-white generic label — 14. Second label — 5. Private label — 1. Troop issue (GI brand) — 1.*

2 — WHICH GENERIC ITEMS SELL BEST IN YOUR STORE? Paper products — 6. Cleaning products — 6. Cigarettes (only in TSA and AFCOMS) — 6. Pet foods — 5. Diapers — 3.*

3 — WHICH ARE THE SLOWER MOVERS? Tea — 5. Coffee — 3. Soap — 3. Mayonnaise/salad dressing — 2. Corn oil, H&BA, pet food, honey, peanut butter, paper products, spaghetti, noodles, jellies, food products — 1 each. Don't know — 1.*

4 — ARE THERE ANY PRODUCT CATEGORIES THAT YOU OR YOUR PATRONS WOULD LIKE TO SEE IN GENERICS THAT CURRENTLY AREN'T AVAILABLE? Yes — 10. No — 4. Don't know — 6.

5 — GENERICS ARE DESIGNED TO APPEAL TO SHOPPERS WITH LOW INCOMES. DO YOU THINK GENERIC PRODUCTS HELP BRING ENLISTED PEOPLE OR LOW-RANKING OFFICERS INTO THE STORE? Yes — 10. No — 9. Don't know — 1.

6 — DO YOU THINK GENERIC PRODUCTS SELL BETTER IF THEY ARE MERCHANDISED IN A SEPARATE SECTION OF ALL-GENERIC PRODUCTS OR TOGETHER WITH OTHER ITEMS OF THE SAME PRODUCT CATEGORY? Separate section — 7. With other similar merchandise — 13.

7 — DO YOU THINK GENERIC PRODUCTS IMPROVE OR DETRACT FROM YOUR STORE'S IMAGE OF OFFERING QUALITY PRODUCTS? Improve — 12. Detract — 2. Don't know — 6.

8 — DO MAJOR BRAND-NAME MANUFACTURERS GIVE YOU BETTER DEALS BECAUSE OF GENERICS? Yes — 10. No — 5. Don't know — 5.

9 — DO YOU THINK GENERIC PRODUCTS CANNIBALIZE SALES OF BRANDED PRODUCTS IN YOUR STORE? Yes — 10. No — 10.

10 — DO YOU THINK THE SALES RECORD FOR GENERIC ITEMS IN YOUR STORE JUSTIFIES THEIR CONTINUED PRESENCE? Yes — 19. No — 1. **WOULD YOU LIKE TO SEE THEM EXPANDED OR REDUCED?** Expanded — 14. Reduced — 1. Stay the same — 5.

*Adds to more than 20 because of multiple responses.

Military Market Index

Commissaries

		SEPTEMBER			YEAR-TO-DATE		
		CY'83	CY'82	%CHANGE	CY'83	CY'82	%CHANGE
Air Force	CONUS	$147,007	$139,928	+5.06	$1,314,585	$1,236,903	+6.28
	OVERSEAS	29,047	28,250	+2.82	261,650	247,743	+5.61
	TOTAL	**176,054**	**168,178**	**+4.68**	**1,576,235**	**1,484,646**	**+6.17**
Army	CONUS	105,210	99,736	+5.49	932,072	895,128	+4.13
	OVERSEAS	28,350	30,264	-6.32	293,749	269,256	+ 9.10
	TOTAL	**133,560**	**130,000**	**+2.74**	**1,225,821**	**1,164,384**	**+5.28**
Navy	CONUS	66,910	51,334	+30.34	496,859	458,894	+8.27
	OVERSEAS	7,832	6,006	+30.40	57,376	53,824	+6.60
	TOTAL	**74,742**	**57,340**	**+30.35**	**554,235**	**512,718**	**+8.10**
Marines	CONUS	12,983	11,799	+10.03	103,061	97,640	+5.55
	OVERSEAS	203	235	-13.62	1,698	1,597	+6.32
	TOTAL	**13,186**	**12,034**	**+9.57**	**104,759**	**99,237**	**+5.56**
Coast Guard	CONUS	317	219	+44.75	2,574	2,528	+1.82
	OVERSEAS	259	216	+19.91	1675	1,649	+1.58
	TOTAL	**576**	**435**	**+32.41**	**4,249**	**4,177**	**+1.72**
All Commissaries	CONUS	332,427	303,016	+9.71	2,849,151	2,691,093	+5.87
	OVERSEAS	65,691	64,971	+1.11	616,148	574,069	+7.33
	TOTAL	**$398,118**	**$367,987**	**+8.19**	**$3,465,299**	**$3,265,162**	**+6.13**
Grocery Stores	U.S.[1]	$20.864 bil.	$19.651 bil.	+6.17	$183.212 bil.	$174.769 bil.	+4.83

Exchanges

AAFES	CONUS	$226,999	$221,590	+2.44	$2,026,439	$1,951,656	+3.83
	OVERSEAS	150,038	145,998	+2.77	1,364,158	1,314,593	+3.77
	TOTAL	**377,037**	**367,588**	**+2.57**	**3,390,597**	**3,266,249**	**+3.81**
Navy	CONUS[2]	85,890	85,257	+0.74	755,576	746,572	+1.21
	OVERSEAS[2]	37,257	35,097	+6.15	322,490	304,699	+5.84
	TOTAL[2]	**123,147**	**120,354**	**+2.32**	**1,078,066**	**1,051,271**	**+2.55**
Marines	CONUS	27,996	27,302	+2.54	247,543	246,757	+0.32
	OVERSEAS	3,880	4,451	-14.56	41,562	41,444	+0.28
	TOTAL	**31,876**	**31,843**	**+0.10**	**289,105**	**288,201**	**+0.31**
Coast Guard	CONUS[3]	6,104	5,838	+4.56	53,830	52,995	+1.58
	OVERSEAS[3]	832	651	+27.80	7,340	5,908	+24.24
	TOTAL[3]	**6,936**	**6,489**	**+6.89**	**61,170**	**58,903**	**+3.85**
Mail Order	CONUS[4]	895	983	8.95	10,007	9,197	+8.81
	OVERSEAS[4]	2,629	2,652	-0.87	32,487	33,668	-3.51
	TOTAL[4]	**3,524**	**3,635**	**-3.05**	**42,494**	**42,865**	**-0.87**
All Exchanges	CONUS	347,884	340,970	+2.03	3,093,395	3,007,177	+2.87
	OVERSEAS	194,636	188,939	+3.02	1,768,037	1,700,312	+3.98
	TOTAL	**$542,520**	**$529,909**	**+2.38**	**$4,861,432**	**$4,707,489**	**+3.27**
Department Stores	U.S.[1]	$9.127 bil.	$8.239 bil.	+10.78	$75.265 bil.	$70.160 bil.	+7.28

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ships stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

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